

**State of California
Department of Mental Health**

REQUEST FOR APPLICATION

Supportive Housing Initiative Act (SHIA) for SFY 2001-2002

GRANT # SHIA2001-01

Questions and Answers

November 20, 2001

1. Q: What will be expected in terms of paperwork for the direct services staff as well as for the aggregate reporting by the project manager? Will the evaluation piece be comparable to the evaluations for the currently funded SHIA projects?

A: Each project will need to establish appropriate documentation of services activity for the target population. The format for this documentation will be determined by the project, but fundamentally it should demonstrate that services as stated in the application are available for the tenants. Also, DMH requires semi-annual reports to be prepared and submitted by the project manager, and site visits are conducted approximately once per year. The evaluation component is comparable to the evaluations for the currently funded SHIA projects.

2. Q: I understand from page 6 of the RFA that the rent for units is restricted to 30% SMI. I also understand from page 7 that in situations of leased units, rents are limited to 120% FMR. I am looking for elaboration on what is considered a leased unit, and advice on how SHIA funds could be utilized for a specific project as described below.

We have an MOU with a developer to “set-aside” 7 units in a new construction building. The units would be deed restricted for the use of persons with developmental disabilities through referrals from HCEB for 30 years. Rents would be held at 50% AMI. Because residents from HCEB will likely be minimum wage earners or SSI recipients, a rental subsidy is needed to make the units affordable. Could we receive a SHIA rental subsidy for this project?

A: Leased units are units that the project sponsor leases from the owner on a “master lease” and subleases (rents) to individual tenants. The master lease amount that the sponsor pays to the building owner may not exceed the lesser of 1) market rent levels for comparable properties, 2)

rents charged for similar units in the same project that are not receiving SHIA rent subsidies, or 3) 120% of the applicable Fair Market Rent (with applicable referring to location and bedroom count) as published by HUD. The rent the sponsor charges the tenants in the SHIA-assisted units can be no more than 30% of the applicable income limit (20 or 30 percent of SMI, as shown on page 7 of the RFA).

The project you describe could be structured in a couple of different ways. You could lease the 7 units from the building owner, with the lease payment set at 50% of AMI for each unit, and use the SHIA rent subsidy funds to make up the difference between your payment to the owner and the rents the tenants pay you. Alternately, if the building owner is a nonprofit organization, they could be the applicant, and enter into a contract with you to provide services.

3. Q: The RFA and several meetings have indicated that the maximum subsidy is calculated at 120% of the State FMR. But the final page of Attachment 8 is the FMR's by MSA that HUD publishes. This makes a difference in several of the buildings we are proposing to use. Should we use max rents that are: 1) 120% of State FMR; 2) 120% of local FMR as published by HUD; or 3) Local FMR as published by HUD?

A: State FMRs are not applicable. Please see the first part of the answer to question #2 above. When comparing lease amounts to determine the maximum allowable master lease payment, you use the local Fair Market Rent as published by HUD and take 120% of the appropriate rent amount. Please keep in mind that there are two other limits on the lease payments you may make to a building owner - local market rents and the rents paid for similar units in the same building. You may not pay 120% of FMR if it exceeds these amounts.

4. Q: The application reads that all sections and subsections of the application shall be tabbed. My question is do the appendices also need to be tabbed? Are we allowed to place a title page in front of each tabbed section?

A: Yes, the appendices must be tabbed. A title page is allowed but not necessary.

5. Q: Our organization is preparing an application to be submitted for rental subsidies and the County is providing support services to the tenants at no cost. Do we need to fill out the supportive services budget forms?

A: No.

6. Q: We are interested in applying for SHIA funding to target those with substance abuse treatment needs. In order to leverage Medi-Cal reimbursements, this residential facility must be licensed with the Department of Health Services. Can SHIA funds be used to support a licensed facility?

A: Under certain conditions SHIA funds may be used for tenants living within a licensed facility. A fundamental goal of SHIA is tenant independence. All tenants must have a rental/lease agreement that allows them to live in the housing for as long as they choose. SHIA housing is not intended to be a level of care that a tenant must leave if their disability improves or they become more independent. It would be necessary to describe in the application narrative how your licensed facility will ensure that the tenants are living independently and how this project meets the goals of permanent housing for individuals with disabilities.

7. Q: Can SHIA funds be used for tenant relocation costs (to cover costs of existing non-SHIA tenants to move to other housing, to free up housing units for SHIA clients)?

A: No. SHIA funds are not available for relocation costs.

8. Q: Are the maximum grant amounts of \$2 million for single projects, or \$3 million for multiple projects, for a one-year period or to cover the entire three-year contract period?

A: Grant funds will be awarded to cover project costs for the entire grant period.

9. Q: One of the projects in our application has a policy of providing food for residents since there are no cooking facilities in the building, and in order to make it economically feasible to offer food service, they must include all the residents. Food is charged as a mandatory fee that comes to \$290 per month, on top of the \$260/month rent, bring the rent and board to \$550 per month. Should the food be counted as a mandatory service, separate from the rent or can the rent and food be lumped together? If the food and rent can be lumped together does that make it too high a cost to be SHIA eligible?

A: Grantees requesting rent subsidy funding may charge separately for food service, and not have this charge subject to the rent limit, under the following conditions: (1) the building is currently operated as low-income housing, with a high occupancy rate (2) the physical design of the building precludes individual cooking arrangements and (3) food is provided essentially at cost.

10. Q: Renovation on the project described above is scheduled for completion in November 2001, with rent-up scheduled for December 2001 or January 2002. Can SHIA then kick in in May 2002 if the program has been operating for 4-5 months?

A: Yes, the program can assist existing housing developments.

11. Q: We are considering a scattered site program using apartments and owner/property manager partners in the community. Would letters of commitment from the property owner/manager stating that they would offer us first right of refusal on a specified number of units in their buildings be sufficient to document site control?

A: If you will be requesting rental subsidies we would need legally binding agreements signed by the building owners and your organization specifying the number of units to be leased, the specific period of time of the lease (which should match the period of the requested rental subsidies), the lease payment amounts, and other major lease terms. These agreements could take the form of lease options.

Letters from the building owner or their agents do not create legally binding agreements, and hence would not be acceptable. If you are requesting services funding only, this type of documentation is allowed as long as the project has entered into lease agreement prior to submitting invoices.

12. Q: Do the rental subsidies need to be site specific? If we are working with landlords in the community can we structure the program so that our clients may select from available apartments in a building (our agreement with the manager would guarantee us first right of refusal on a specified number of units), or do specific units need to be designated SHIA-assisted units? Similarly, if we have agreements with three or four owners, may we use the SHIA assistance in whichever complex best meets our clients' needs or do we need to identify a specific number per complex? These would, as page 8 of the RFA states, be locations identified in the application, but our concern is for client choice and giving individuals a say in where they want to live.

A: Rental subsidies must be site specific, and sites must be identified in the SHIA application. If you are master leasing units in different buildings the number of leased units in each building must be designated in the lease.

13. Q: What happens if we have an agreement with an apartment complex owner who sells the building in the future (during the grant period) and the new owner does not want to participate? May we identify a different

landlord partner (we would communicate with DMH and HCD prior to such a change)?

A: Your legal agreement with the building owner should not allow for ready termination during the period of SHIA assistance. It specifically should not include a provision allowing for termination upon sale of the building. Should an owner find some method for breaking your lease, we would consider at that time transferring the SHIA assistance to another property.

14. Q: May a rental subsidy program use a combination of apartment units we own and apartments owned by others? We would not be the property manager for our buildings. If this is possible, we would then complete the SHIA operating pro forma for both owned projects and leased units, correct?

A: Yes, this scenario is possible, and the application for it should include both versions of the SHIA operating proforma (one for the units you own and one for the ones you will lease).

15. Q: We have services in two areas of Los Angeles County, and we would like to offer the same rental subsidy program to clients in both of our communities. Since it is the same project, would this be considered one application? Also, do we need to designate a specific number of subsidy units per region or is there flexibility in using the subsidy where the need is greatest at any given time?

A: This would be considered one “scattered sites” application. You would need to designate and identify the specific number of units to be used at each location, and provide evidence of site control for each location.

16. Q: How with the health quality inspections be done and how often? Who is responsible for the inspections? If we are, may we include costs of the inspections in the budget?

A: The RFA only requires a certification that the housing meets HUD’s Housing Quality Standards, or a similar habitability standard prior to receiving grant funds. The sponsor of the project is responsible for arranging the inspection. You can contact your local housing authority and request this service, and if there is a charge, you may include it in: the operating budget on the proforma (for applications requesting rental subsidies); or as start-up costs in the services budget (for applications requesting services funding only).

17. Q: If we are providing a SHIA-funded service to participants in the rental subsidy program (such as a housing coordinator) are other individuals we serve (non-SHIA clients who need housing placement/property

management coordination assistance) allowed to use this service? We would explain this in the narrative.

A: SHIA funds are only to be used by individuals who are within the target population and are permanently housed. If a project chooses to allow a housing coordinator to assist other non-SHIA clients, then SHIA funds may only be used for the portion of the coordinator's salary that is dedicated to SHIA clients.

18. Q: Regarding the option for 20 percent or 30 percent of the State Median Income – may we serve a combination of individuals or do we need to set one income limit?

A: You may serve both income levels, just note this in the application narrative and show both incomes and rent levels in the SHIA rental subsidies budget (Attachment 8, page 8.8).

19. Q: Are AB 2034 funds an eligible match source?

A: Yes.

20. Q: Do we need to apply for the full 15 years of rental subsidy or may we apply for fewer years? If so, how do we show that on the subsidy budget, which seems to be set up for the full 15 years?

A: You may apply for rental subsidies for a minimum of 3 years to a maximum of 15 years. While the SHIA Operating Pro Forms are set up for 15 years, you would just delete the columns after the number of years for which you are requesting subsidies. This will give you the requested subsidy for the designated number of years.

21. Q: What is the frequency of reports required to document the use of funds and match (monthly, quarterly, etc.)?

A: If funded, grantees are required to report semi-annually on the status of their project(s). Additionally, DMH staff will conduct annual site-reviews. During these reviews, documentation of match funds will be examined.

22. Q: We are concerned about the cash flow demands a rental subsidy project might bring to our agency. Will the rental subsidies be paid up front or will agencies have to put up the money and apply for reimbursement? What will the billing mechanisms and timeline be?

A: The DMH is responsible for contracting for the services component of all SHIA projects. Expenses are paid monthly in arrears.

For the rental subsidy funds, which will be administered by HCD, we expect to make annual payments at the beginning of each project fiscal year (cut a check that will fund 12 months.)

23. Q: In reviewing your budget forms for Supportive Services, we notice that there is not a high level of detail requested. How much detail on budget line items would you like us to include?

A: Section 5.2.2-III of the RFA (page 26) Budget Narrative states, Applicants shall submit a Budget Narrative in support of the Supportive Services Budget Form. The Budget Narrative must provide a clear explanation or justification for the information contained in each line item in the budget for each year for which supportive services funding is requested or used as match for SHIA funding. It must summarize the budget information and describe other funds the applicant is receiving, or for which the applicant has applied.

24. Q: The basic principle underlying supported living for adults with developmental disabilities is that the consumer has control over where he or she wants to live – no time is that more true than in selecting a home they want to buy. None of our project includes group homes and so is not subject to any kind of permits different than an individual in the general public would need to have to buy a home. Problems with control over the site would not be a barrier to success with the project. I see that an option to purchase agreement will suffice with the application, but it isn't practical for a private homeowner to tie up his/her property until March in this housing market.

A: SHIA rent subsidy funding is designed to assist units that will remain as rentals. It is not available for use on owner occupied units.

25. Q: Although SHIA funds can't be used for capital acquisition for the applicant, can the rental subsidies be used first in a "lease with option to purchase" situation and then continue to help the consumer purchase the home?

A: The SHIA rental subsidies can only be used to cover the gap between what it costs the sponsor to operate the project and the rental income generated by the property. It cannot be used as a down payment subsidy. Given the description of your project, the

SHIA rental subsidies may not be an appropriate source of operational funding for you, since the number and location of the SHIA subsidized units must remain stable for the length of the subsidy period.

26. Q: If rent subsidy was not part of our proposal at all, would site control on December 21st be an issue as long as we guaranteed to support a certain minimum number of SHIA tenants in DDSO controlled sites within year one?

A: For projects that are requesting only services funding, the specified period of site control must be no less than a month-to-month basis. Applicants that do not have site control may be less competitive.

27. Q: Can our project exceed the five-unit threshold if five is all we currently have?

A: For rental subsidies the number of the subsidized units cannot increase from the number of the application. For applications requesting services funding only, the applicant may choose to add housing units to the project, as long as all clients being served are within the target population and are permanently housed.

28. Q: Can the project include support services for SHIA qualified individuals who are renting homes/apartments owned by private individuals?

A: Yes, as long as the units involved are described in the application narrative.

29. Q: I'm sure I read somewhere in the RFA that tenant rents can't be used to pay down a mortgage. Does that refer to the rent subsidies only, or the rent subsidy and the tenant rent as well? The DDSO project does finance the on-going development of and maintenance of affordable housing for individuals receiving supported living services from a combination of sources, including low tenant rents. Is this a problem?

A: Page 8 of the RFA, Section 2.7.7 Debt Service states, "For projects owned by the grantee, debt service attributable to SHIA-assisted units (paid for by SHIA funds or tenant rents) may not exceed \$1,000 per unit per year."

30. Q: Could you give me some details about DMH's requirements for the Master Lease? Do you have draft language?

A: The master lease agreement should clearly indicate the number of restricted units; the monetary consideration of the first year of the lease, and if the rent is to increase in subsequent years, the amount of the increase (one common way of setting increase amounts is to tie it to a specific inflation factor); the term of the commitment, which should match the length of the SHIA rental subsidy request; and the responsibilities of the lessee and lessor. Any costs to be borne by the lessee, such as maintenance, liability and/or property insurance, or utilities, should be clearly identified. We do not have draft language available, but you may be able to get this from a group that has experience with this structure.

31. Q: I understand that the amount of debt service attributable to SHIA subsidized units is capped at \$1,000 per unit per year. I have a project which has some units subsidized through Shelter + Care and others with no rent subsidies. The pro-rated per unit debt service for the project is over \$1,000 per unit per year. However, the S+C units pay a much greater share of the debt service than the unsubsidized units, as they generate far more income. Could the unsubsidized units be eligible for SHIA operating support if the debt service is proportioned by income generated per unit, rather than on a strict per unit basis throughout the project?

A: Yes, you can allocate less debt service to the units receiving SHIA rent subsidies than a prorata share based on unit count, provided the overall project remains feasible. You cannot allocate to the SHIA units more than this prorata share.